The Real Facts

A Critical Analysis of the Bush Administration's Claims on CAFTA ***April 18, 2005***
Prepared by the Democratic Staff of the Ways and Means Committee

Central America Will Not Save Central America's Apparel Industry – or U.S. Input Suppliers – from China

***PROMISE:** By adopting NAFTA textile and apparel provisions, the CAFTA will help Central America maintain its U.S. market share in the wake of MFA quota elimination.*

***REALITY:** Like Mexico under NAFTA, Central America will lose its U.S. market share to China – with or without CAFTA.*

- The CAFTA is based largely on NAFTA textile and apparel provisions. Under NAFTA, Mexico's market share in the U.S. of textiles and apparel topped 13.5 percent in 1999 - more than double its share in 1994.
- But since 2002, when MFA quota elimination (Phase 3) went into effect, U.S. imports of liberalized textile and apparel products from China have surged ahead of like imports from Mexico – increasing by at least 340 percent and upwards to 13,500 percent.
- NAFTA's textile and apparel provisions have not provided sufficient flexibility for producers, resulting in a loss of competitiveness for Mexico. Since 2002, in nearly all liberalized textile and apparel categories shared with China, Mexico's exports to the United States have endured a negative growth rate of over 55 percent.
- In January 2005, when all MFA quotas expired, China's market share of U.S. textile and apparel imports reached 22.5 percent – nearly triple that of Mexico. The CAFTA and its ineffective NAFTA-like textile and apparel provisions mean that Central America will face a similar challenge in competing with China in the U.S. market.

Market Share of U.S. Textile & Apparel Imports
Source: U.S. Department of Commerce, OTEXA